

THE OFFICE OF REGULATORY STAFF

DIRECT TESTIMONY

OF

CAREY M. FLYNT

AUGUST 4, 2009



DOCKET NO. 2008-447-EG

**Energy Independence and Security Act of 2007:
Utility Energy Efficiency Programs and
State Consideration of Smart Grid Standards**

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IN RE: THE ENERGY INDEPENDENCE AND SECURITY ACT OF 2007:

UTILITY ENERGY EFFICIENCY PROGRAMS AND STATE CONSIDERATION

OF SMART GRID STANDARDS

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
OCCUPATION.**

A. My name is Carey M. Flynt. My business address is 1401 Main Street,
Suite 900, Columbia, South Carolina 29201. I am employed by the State of South
Carolina as the Manager of the Gas Department of the Office of Regulatory Staff
("ORS")

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND
EXPERIENCE.**

A. I received a Bachelor of Science Degree in Business Administration, with a
major in Accounting, from the University of South Carolina. I was employed at
that time in the electric and gas utility industry and gained twenty five years' (25)
of experience in this field. In October 2004, I began my employment with ORS. I

1 have testified on numerous occasions before the Public Service Commission of
2 South Carolina (“Commission”) in conjunction with natural gas issues.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
4 **PROCEEDING?**

5 **A.** The purpose of my testimony is to participate on behalf of ORS in the
6 Commission’s consideration of matters required by the Energy Independence and
7 Security Act of 2007 (“EISA”) as it applies to natural gas utilities. Specifically, I
8 will address the federal standards the Commission must consider contained in EISA
9 Sections 532(b)(5) and (6) which amends 15 U.S.C. § 3203(b) (Section 303(b) of
10 PURPA, Title III) . PURPA, Title III applies to natural gas utilities which have
11 annual retail sales greater than 10 billion cubic feet (approximately 10,000,000
12 Dekatherms). Both Piedmont Natural Gas Company (“Piedmont”) and South
13 Carolina Electric and Gas Company (“SCE&G”) meet this criterion.

14 **Q. PLEASE STATE THE ENERGY EFFICIENCY STANDARDS CONTAINED**
15 **IN SECTION 532(b)(5) TO BE CONSIDERED BY THE COMMISSION.**

16 **A.** The energy efficiency standards to be considered are to:

17 (A) integrate energy efficiency resources into the plans and planning
18 processes of the natural gas utility; and

19 (B) adopt policies that establish energy efficiency as a priority resource into
20 the plans and planning processes of the natural gas utility.

21 **Q. WHAT IS THE POSITION OF ORS REGARDING THE ABOVE STATED**
22 **ENERGY EFFICIENCY AMENDMENTS?**

1 **A.** ORS believes current Commission requirements and existing practices of
2 both Piedmont and SCE&G already meet the standards set forth in 532(b)(5)(A)
3 and (B) above. In 1987 and 1988, the Commission issued Order No. 87-898 and
4 Order No. 88-294 requiring the annual review of the purchased gas adjustment and
5 the gas purchasing policies for jurisdictional natural gas utilities. In preparation for
6 these annual proceedings, ORS reviews each Company's forecasting methods used
7 in planning to obtain resources to meet its firm peak day, seasonal and annual
8 supply and capacity needs. The companies use historical data in regression models
9 to develop factors that are used to forecast future customer demands. By
10 incorporating this historical usage data into the forecasting methods, the impact of
11 energy efficiency measures, including both energy efficiency specifications for new
12 appliances and updated building codes is taken into consideration in developing the
13 Company's plans. The companies' and ORS's testimony and findings regarding
14 forecasts used in planning for future resources, which include energy efficiency
15 impacts, are presented to the Commission in each companies' annual review.

16 At this time, it is the recommendation of ORS that it is not necessary for the
17 Commission to adopt the EISA energy efficiency standards in this proceeding.

18 **Q. PLEASE STATE THE RATE DESIGN MODIFICATIONS STANDARDS TO**
19 **PROMOTE ENERGY EFFICIENCY INVESTMENTS CONTAINED IN**
20 **SECTION 532(b)(6) TO BE CONSIDERED BY THE COMMISSION.**

21 **A.** The rate design modifications standards address:

1 (A) IN GENERAL.--The rates allowed to be charged by a natural gas utility
2 shall align utility incentives with the deployment of cost-effective energy
3 efficiency.

4 (B) POLICY OPTIONS.—In complying with subparagraph (A), each State
5 regulatory authority shall consider—

6 (i) separating fixed-cost revenue recovery from the volume of transportation
7 or sales service provided to the customer;

8 (ii) providing to utilities incentives for the successful management of
9 energy efficiency programs, such as allowing utilities to retain a portion of the cost-
10 reducing benefits accruing from the programs;

11 (iii) promoting the impact on adoption of energy efficiency as one (1) of the
12 goals of retail rate design, recognizing that energy efficiency must be balanced with
13 other objectives; and

14 (iv) adopting rate designs that encourage energy efficiency for each
15 customer class.

16 **Q. WHAT IS THE POSITION OF ORS REGARDING THE ABOVE STATED**
17 **RATE DESIGN MODIFICATIONS STANDARDS TO PROMOTE ENERGY**
18 **EFFICIENCY INVESTMENTS AMENDMENTS?**

19 **A.** With regard to (i) separating fixed-cost revenue recovery from the volume of
20 transportation or sales service provided to the customer, ORS does not believe it is
21 necessary for the Commission to adopt this standard. Both Piedmont and SCE&G
22 filed elections with the Commission in April, 2005 to have the terms of the Natural

1 Gas Rate Stabilization Act (“RSA”), Sections 58-5-400 to 480 (Supp. 2008), apply
2 to the companies’ rates and charges for gas distribution thereafter. The RSA rate
3 mechanism allows a company to adjust its rates annually and provides the
4 opportunity to maintain its allowed margins, even if the company’s gas sales
5 volumes have decreased due to conservation or other factors.

6 As for the other rate design provisions set forth in EISA Section 532(b)(6)(ii),
7 (iii), and (iv), ORS recommends that these issues should be addressed in individual
8 proceedings for each company. Currently, both Piedmont and SCE&G promote
9 energy efficiency through indirect informational programs, as opposed to direct rate
10 design methods. Their current efforts include customer education regarding energy
11 efficiency, weatherization and conservation by various forms of communications
12 and advertising. These communication methods used include the companies’ bill
13 inserts, messages printed on the bills, radio and television information, as well as
14 information accessible through the companies’ websites. Additionally, as part of
15 its outreach efforts, ORS provides brochures to consumers which contain energy
16 saving tips.

17 Each company’s customer characteristics and local distribution system
18 characteristics are unique to the individual natural gas utility. Piedmont provides
19 natural gas service to about 132,000 customers in the four (4) upstate adjacent
20 counties of Greenville, Spartanburg, Anderson and Gaffney through approximately
21 3,900 miles of mains. SCE&G provides natural gas service to about 309,000
22 customers through approximately 8,800 miles of mains. SCE&G’s service area

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1 includes more than 23,000 square miles in all or part of thirty-five (35) of the
2 state's forty-six (46) counties, ranging from the upper eastern, central and coastal
3 regions.

4 At this time, ORS does not believe the adoption of a specific rate design
5 standard would be in the best interest of the customers or companies. However,
6 ORS recognizes that it may be appropriate to consider the standards on a case by
7 case basis at some future time.

8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 **A.** Yes, it does.